



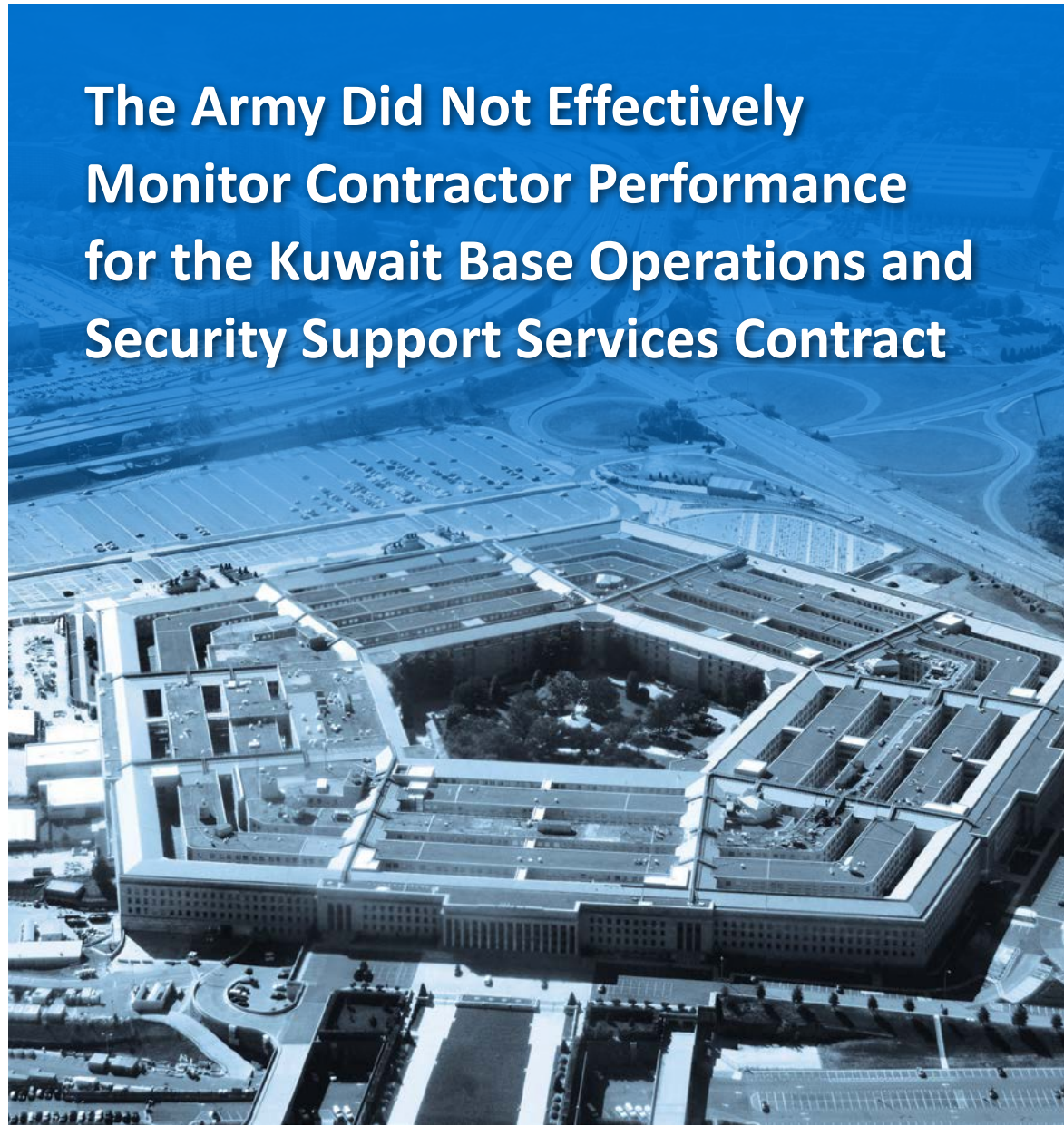
# INSPECTOR GENERAL

*U.S. Department of Defense*

MARCH 7, 2017



## The Army Did Not Effectively Monitor Contractor Performance for the Kuwait Base Operations and Security Support Services Contract



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# Results in Brief

## *The Army Did Not Effectively Monitor Contractor Performance for the Kuwait Base Operations and Security Support Services Contract*

March 7, 2017

### Objective

We determined whether the U.S. Army Contracting Command developed adequate controls to effectively monitor contractor performance for the Kuwait Base Operations and Security Support Services (KBOSSS) contract.

The KBOSSS contract is a cost-plus-award-fee contract awarded to provide services necessary to perform base operations and security support services in the Area Support Group–Kuwait (ASG-KU) area of responsibility.<sup>1</sup> As of December 2016, the Army has paid the contractor more than \$2.7 billion over the life of the contract, with an additional \$59.4 million paid to the contractor in award fees.

KBOSSS contract oversight is a responsibility shared by ASG-KU, Army Contracting Command–Rock Island (ACC-RI), and 408th Contracting Support Brigade (408th CSB). Monthly performance feedback to the contractor is provided through the performance evaluation meeting (PEM), which includes representatives from ASG-KU, ACC-RI, and 408th CSB. Every 6 months the contractor is evaluated by the Fee Evaluation Board, where the award fee is determined based on the monthly performance feedback. The award fee must be earned and is used to motivate improved contractor performance in areas critical to program success.

<sup>1</sup> A cost-plus-award-fee contract is a cost-reimbursement contract that provides for a fee consisting of a base amount fixed at inception of the contract and an award amount based on a judgmental evaluation by the Government.

### Finding

The Army did not effectively monitor contractor performance for the KBOSSS contract. Specifically, ASG-KU, ACC-RI, and 408th CSB did not ensure:

- the quality assurance surveillance plan (QASP) and the surveillance checklists, which are used to ensure the contractor is complying with the contract requirements, were updated to reflect current contract requirements. This occurred because ACC-RI and 408th CSB did not establish written guidance that clearly defined the roles and responsibilities of KBOSSS oversight personnel. Specifically, ACC-RI and 408th CSB did not establish a formal process to disseminate contractual changes.
- contracting officer's representatives (CORs) provided consistent surveillance of the contractor. This occurred because ASG-KU and 408th CSB did not develop a process to accurately track CORs and COR reporting, which created gaps in contractor monitoring.
- contractor ratings within the monthly PEM, which are used to determine the contractor's award fees, were accurate. Specifically, CORs developing the ratings did not consider identified contractor deficiencies or validate contractor-provided data. This occurred because ACC-RI and 408th CSB did not define PEM requirements for personnel responsible for contract oversight.

As a result, the Army did not have reasonable assurance that the KBOSSS contractor complied with all contract requirements or earned the entire \$13 million in award fees paid during the last two Fee Evaluation Board award periods.<sup>2</sup> In addition, at least one significant environmental and potential health hazard went unresolved. Specifically, the lack of effective contract oversight allowed a wastewater lagoon at Camp Buehring to become stagnant for years, which continues to expose military and civilian personnel to potentially hazardous conditions.

<sup>2</sup> The last two Fee Evaluation Boards were for the 6-month performance period from March 29, 2015 to September 28, 2015 where the contractor earned 93 percent of the pool, and the subsequent 6-month period from September 29, 2015 to March 28, 2016 where the contractor earned 96 percent. At the time of our audit, the March to September 2016 Fee Evaluation Board information had not been released.





# Results in Brief

## *The Army Did Not Effectively Monitor Contractor Performance for the Kuwait Base Operations and Security Support Services Contract*

### Recommendations

We recommend that the Executive Director, ACC-RI, in coordination with the Commander, 408th CSB, establish formal written guidance that clearly defines roles and responsibilities of KBOSSS personnel. Specifically, define the process to disseminate contract requirement changes and the PEM rating requirements and roles and responsibilities for personnel responsible for contract oversight.

We recommend that the Commander, ASG-KU, in coordination with the Commander, 408th CSB, develop a process to accurately track incoming and outgoing CORs and COR reporting to ensure oversight responsibilities are adequately covered.

### Management Actions Taken

During the audit, we informed ASG-KU, ACC-RI, and 408th CSB officials that deficiencies existed with the monitoring of contractor performance for the KBOSSS contract.

ASG-KU, ACC-RI, and 408th CSB immediately initiated steps to improve the oversight of the KBOSSS contract. ASG-KU now maintains a current list of CORs, their assigned contract, and their redeployment dates to track departure dates and ensure replacement CORs are in place in order to avoid gaps in surveillance. In addition, the Commander, ASG-KU, instituted a monthly contract review board meeting where all CORs brief him on monthly COR reporting and surveillance. Furthermore, ASG-KU implemented mandatory monthly training for all CORs. A contracting officer will provide CORs guidance on proper contract oversight techniques and procedures.

408th CSB initiated an immediate comprehensive review of the number of COR personnel required to properly conduct contract oversight. 408th CSB mandated the use of the COR Tracking Tool for monthly COR reports, nominations, appointments, and terminations to ensure an accurate list of COR personnel can be generated.

ACC-RI, in coordination with 408th CSB, began to develop a contract administration plan that will clearly establish and define the roles, responsibilities, and expectations of the Government stakeholders tasked with the administrative processes and oversight of the KBOSSS contract. ACC-RI anticipates the completion of the plan by March 2017.

In October 2016, 408th CSB relieved the contractor of contractual responsibility for all but environmental tasks concerning the Camp Buehring lagoons. In addition, 408th CSB issued an NCR for failure to perform environmental tasks. In addition, the Army has initiated a project to address the inoperable lagoons. The project consists of upgrading aeration lagoons at Camp Buehring. At the conclusion of the project, the lagoons will be fully functional, which will eliminate the hazardous conditions.

The management actions taken, once fully completed, will address the concerns we identified; therefore, we are not making any additional recommendations. Both recommendations are resolved. Recommendation 1 will be considered closed upon publication of the Contract Administration Plan. Recommendation 2 will be considered closed upon validation of the established COR tracking process. We will continue to monitor the implementation of these recommendations, including the completion of the lagoon aeration project. Please see the Recommendations Table on the next page for the status of the Recommendations.

## Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Commander, Area Support Group–Kuwait	None	2	None
Executive Director, Army Contracting Command–Rock Island	None	1	None
Commander, 408th Contracting Support Brigade	None	1, 2	None

NOTE: The following categories are used to describe agency management’s comments to individual recommendations:

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.



**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500**

March 7, 2017

**MEMORANDUM FOR DISTRIBUTION**

**SUBJECT: The Army Did Not Effectively Monitor Contractor Performance for the  
Kuwait Base Operations and Security Support Services Contract  
(Report No. DODIG-2017-062)**

We are providing this final report for your information and use. The Army did not effectively monitor contractor performance for the Kuwait Base Operations and Security Support Service (KBOSSS) contract. Specifically, Area Support Group-Kuwait (ASG-KU), Army Contracting Command-Rock Island (ACC-RI), and 408th Contracting Support Brigade (408th CSB) did not ensure the quality assurance surveillance plan and the surveillance checklists were updated to reflect current contract requirements; contracting officer's representatives (CORs) provided consistent surveillance of the contractor; and contractor ratings were accurate. We conducted this audit in accordance with generally accepted government auditing standards.

During the audit, we advised ASG-KU, ACC-RI, and 408th CSB of the contract oversight weaknesses we identified. Management agreed with our observations and immediately initiated steps to address our concerns. For example, the Commander, ASG-KU, instituted a monthly contract review board meeting where CORs brief him on monthly COR reporting and surveillance. ACC-RI, in coordination with 408th CSB, began to develop a contract administration plan that formally documents the roles and responsibilities of Government personnel who oversee the KBOSSS contract. In addition, 408th CSB initiated an immediate comprehensive review of the number of COR personnel required to properly conduct contract oversight. These actions resolved each concern we identified; therefore, we will not make any additional recommendations in this report. We obtained and considered feedback on a discussion draft when preparing the final report.

We appreciate the courtesies extended to the staff. Please direct questions to me at [Michael.Roark@dodig.mil](mailto:Michael.Roark@dodig.mil), (703) 604-9187 (DSN 664-9187).

A handwritten signature in black ink, appearing to read "MR", is located below the text.

Michael J. Roark  
Assistant Inspector General  
Contract Management and Payments

***Distribution:***

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# Introduction

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## Objective

We determined whether the U.S. Army Contracting Command developed adequate controls to effectively monitor contractor performance for the Kuwait Base Operations and Security Support Services (KBOSSS) contract. We reviewed all nine functional areas of the KBOSSS contract at Camp Arifjan and Camp Buehring, Kuwait. See Appendix for a discussion of our scope and methodology and prior audit coverage.

## Background

### ***Kuwait Base Operations and Security Support Services Contract***

In September 2010, Army Contracting Command-Rock Island (ACC-RI) awarded a cost-plus-award-fee contract for a base year plus four 1-year option periods, to Vectrus LLC to provide services necessary to perform base operations and security support services in the Area Support Group–Kuwait (ASG-KU) area of responsibility.<sup>3</sup> The contractor is responsible for providing services for the following nine functional areas: (1) Forms and Publication, Official Mail, and Reproductive Services; (2) Army Postal Operations; (3) Operations; (4) Logistics; (5) Information Management; (6) Engineering Services; (7) Medical Support Services; (8) Installation Services; and (9) Security, Fire and Emergency Services. In March 2016, ACC-RI awarded a modification to extend the contract for an additional 9 months.

As of December 2016, the Army has paid more than \$2.7 billion over the life of the contract, with an additional \$59.4 million paid to the contractor in award fees. Table 1 identifies the cost breakdown of the KBOSSS contract.

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<sup>3</sup> Contract No. W52P1J-10-C-0062 was awarded to ITT Federal Services International Corporation. However, on March 7, 2012, the Government recognized the name change to Exelis Systems Corporation and later to Vectrus Systems Corporation on December 8, 2014.

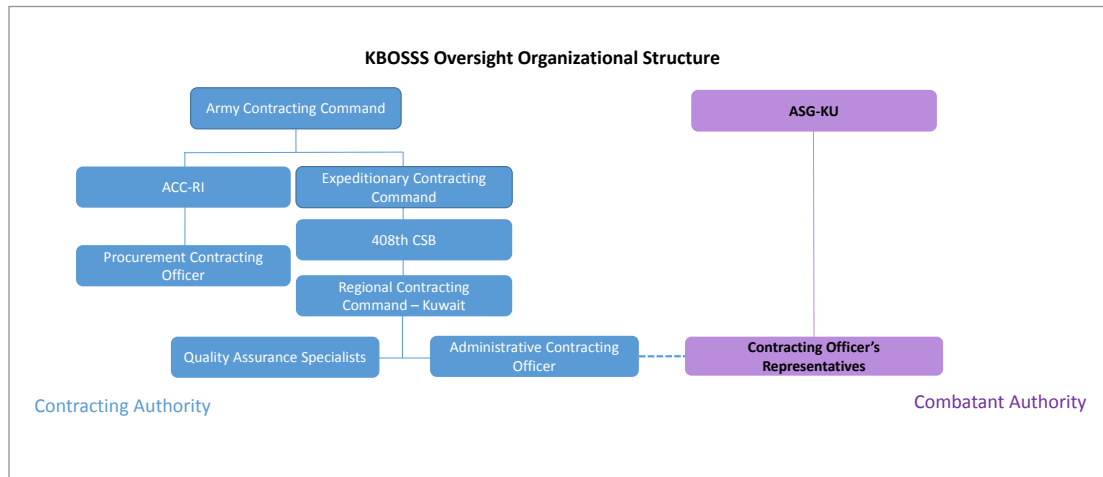
*Table 1. KBOSSS Contract Value*

Contract Period	Paid on Contract	Award Fee Paid
Phase In and Base	\$333.9 million	\$5.8 million (Fee period 1)
Option Year 1	\$491.4 million	\$9.0 million (Fee period 2 & 3)
Option Year 2	\$454.2 million	\$13.1 million (Fee period 4 & 5)
Option Year 3	\$421.7 million	\$12.5 million (Fee period 6 & 7)
Option Year 4	\$478.6 million	\$11.9 million (Fee period 8 & 9)
6 Mo Extension	\$230.4 million	\$7.1 million (Fee period 10)
9 Mo Extension	\$329.4 million	not yet evaluated
Phase Out	not yet funded	not yet evaluated
Close Out		
<b>Totals</b>	<b>\$2.739 billion</b>	<b>\$59.4 million</b>

Source: DoD OIG.

### ***KBOSSS Contract Oversight***

KBOSSS contract oversight is a responsibility shared by ASG-KU, ACC-RI, and 408th Contracting Support Brigade (408th CSB). Constant communication and collaboration among the commands is critical to provide effective oversight of the KBOSSS contract. Figure 1 shows the organizational structure for the oversight of the KBOSSS contract.

*Figure 1. KBOSSS Contract Oversight Organizational Structure*

Source: DoD OIG.

### *Army Contracting Command–Rock Island*

ACC-RI provides full-spectrum contracting support to U.S. Central Command. ACC-RI is the procuring contract office and assigns the procurement contracting officer (PCO) for the KBOSSS contract. The Federal Acquisition Regulation states that the PCO is responsible for ensuring performance of all necessary actions for effective contracting, compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships.<sup>4</sup> In addition, the PCO is responsible for making changes to the contract with contract modifications or letters of technical direction. Furthermore, ASG-KU, in coordination with 408th CSB and the ACC-RI, creates and updates the performance work statement, which defines the contract requirements, and the quality assurance surveillance plan (QASP) that is used to ensure the contractor is complying with the contract requirements.

According to 408th CSB guidance, the QASP is a written plan Government personnel use to strategically ensure the contractor is complying with the contract requirements.<sup>5</sup> The QASP provides COR guidance in the area of surveillance approach and documentation as well as unacceptable performance when engaging in contract surveillance. The PCO, administrative contracting officer (ACO), and quality assurance specialist (QAS) will help ASG-KU develop the QASP. The PCO stated that 408th CSB developed its own surveillance checklist to use in conjunction with the QASP.<sup>6</sup>

### *408th Contracting Support Brigade*

In December 2014, the PCO delegated the authority to provide contract administration and quality assurance services to 408th CSB for the KBOSSS contract. To fulfill this role, 408th CSB provided the ACO and QAS for contract oversight.

The ACO's role is to administer the contract and enforce its provisions. In addition, the ACO can make administrative changes to the contract requirements. Following ASG-KU nomination of CORs, the ACO is also responsible for, appointing contracting officer's representatives (CORs), providing each COR with a written appointment letter that delegates the scope and limitations of authority for each contract the COR administers, and appointing other surveillance support personnel to assist the

<sup>4</sup> Federal Acquisition Regulation Part 1, "Federal Acquisition Regulations System," Subpart 1.6, "Career Development, Contracting Authority, and Responsibilities."

<sup>5</sup> Appendix A – "Performance Work Statement (PWS), Performance Requirements Summary, and Quality Assurance Surveillance Plan (QASP) Standard Operating Procedures" to 408th CSB Memorandum subject "Command Policy Memorandum #15-01."

<sup>6</sup> According to 408th CSB officials, the QASP did not provide sufficient details for conducting contract oversight, including specific performance metrics for all functional area; therefore, 408th CSB, with the approval of the ACO and PCO, developed a more detailed surveillance checklist to conduct surveillance of the contractor.

COR in monitoring the contractor's performance. In 2016, there were four different ACOs assigned to oversee this contract. According to the Commander, Regional Contracting Command-Kuwait, the rotational nature of the ACO has caused challenges for contract oversight.

According to Expeditionary Contracting Command guidance, the QASs are acquisition professionals who have functional expertise in acquisition contract quality assurance and contract oversight.<sup>7</sup> The QAS holds contractors accountable for contract performance and quality control. In addition, the QAS is responsible for monitoring COR progress and performance, including the submission of required reports and documentation; developing and updating the COR surveillance checklist based on contract requirements; and reviewing and approving surveillance checklists. Furthermore, the QAS uses a non-conformance report (NCR) to document deficiencies when the contractor's noncompliance has led to substandard performance requiring corrective action. At the time of this audit, there were four individuals assigned as QASs for the KBOSSS contract.

### *Area Support Group-Kuwait*

ASG-KU is the requiring activity for the KBOSSS contract. As the requiring activity, ASG-KU is responsible for developing acquisition-ready contract support requirement packages, including identifying, defining, and validating requirements to ensure that they are within their mission.

In addition, ASG-KU is responsible for nominating and providing trained CORs. CORs are military or U.S. Government civilians designated in accordance with Defense Federal Acquisition Regulation Supplement 201.602-2 and authorized in writing by the contracting officer to perform specific technical or administrative functions.<sup>8</sup> Specifically, CORs perform surveillance of the contract by completing a 408th CSB surveillance checklist each month and submitting it to the QAS for review. The surveillance checklist includes a series of questions designed to determine whether the contractor is meeting contract requirements for specific functional areas, which the COR answers with "Yes," "No," "Not Observed," or "Not Applicable." The COR is required to validate the requirements by observing the contractor performing the requirements. The COR's observations are documented on the surveillance checklist. Once the surveillance checklist is reviewed, the QAS returns it to the COR to upload into the COR Tracking (CORT) Tool, which is a web-accessible management application designed to track CORs and maintain COR files.

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<sup>7</sup> Expeditionary Contracting Command Memorandum Subject "Command Policy Memorandum – Quality Assurance Specialist Guidance and Procedures" May 7, 2013.

<sup>8</sup> Defense Federal Acquisition Regulation Supplement, Subpart 201.602-2, "Career Development, Contracting Authority, and Responsibilities," Revised April 2014.

Additionally, 408th CSB guidance requires CORs to submit monthly reports in the CORT Tool.<sup>9</sup> The COR monthly report is used to rate the contractor's performance based on cost, subcontractor's effort, required deliverables, timeliness, discrepancies, and customer complaints. Each COR rates the contractor's performance and documents it on the monthly report as "Unsatisfactory," "Marginal," "Satisfactory," "Very Good," or "Exceptional." Once submitted, the ACO reviews the COR monthly report.

In the last year, at least 132 CORs were assigned to the KBOSSS contract. In addition, each of the functional areas is assigned a Lead COR (LCOR). In addition to the normal COR responsibilities, the LCOR is responsible for briefing the performance of their functional area during the monthly performance feedback. During our audit, there were 10 LCORs assigned to the KBOSSS contract.

### ***End-of-Period Evaluations and KBOSSS Award Fee***

Monthly performance feedback to the contractor is provided through the performance evaluation meeting (PEM), which includes representatives from ASG-KU, ACC-RI, and 408th CSB. During the PEM, LCORs rate the contractor's performance for their functional area as "Positive," "Needs Improvement," or "Negative." The PEM is important for award-fee contracts because it provides the contractor with feedback on areas of good and poor performance. Timely feedback is meant to ensure that the contractor is informed of areas where corrective actions need to be taken to correct the deficiencies before the end-of-period evaluation.

The PEM is important because the KBOSSS Fee Evaluation Board (FEB) uses the results presented across 6 months of PEMs to evaluate the contractor's performance and determine the award fee for that 6-month period.<sup>10</sup> The award fee must be earned and is used to motivate improved contractor performance in those areas critical to program success. Furthermore, it reflects the Government's periodic judgmental evaluation of contractor performance, and is awarded every 6 months. The award-fee base plan requires the FEB to use the ratings "Unsatisfactory," "Satisfactory," "Good," "Very Good," or "Excellent." These ratings directly affect the amount of award fee earned. For the last two FEBs, the contractor was rated "Excellent" and was awarded \$13 million in award fees.<sup>11</sup> Figure 2 shows the different scoring methods for contractor performance.

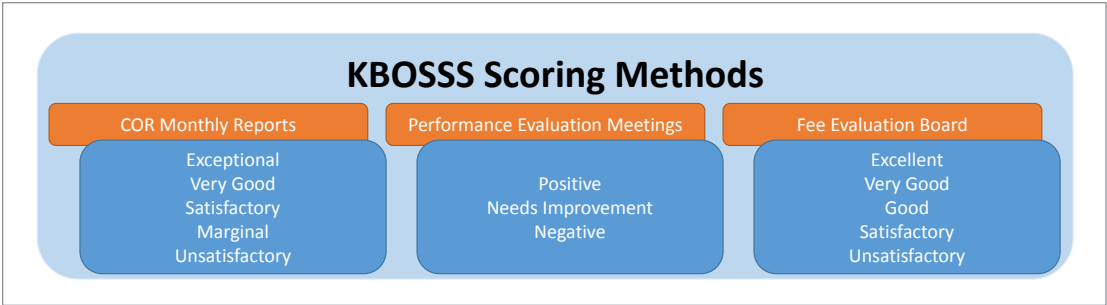
<sup>9</sup> Appendix C "Contractor Surveillance Standard Operating Procedures" to 408th CSB Memorandum subject "Contract Policy Memorandum #15-01."

<sup>10</sup> For the KBOSSS contract, the contractor automatically earns a base fee amount of 2 percent and is eligible to earn a 4.5 percent award-fee pool.

<sup>11</sup> The last two FEBs were for the 6-month performance period from March 29, 2015, to September 28, 2015, where the contractor earned 93 percent of the pool, and the subsequent 6-month period from September 29, 2015, to March 28, 2016 where the contractor earned 96 percent.



Figure 2. KBOSSS Scoring Methods



Source: DoD OIG.

Review of Internal Controls

DoD Instruction 5010.40 requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.<sup>12</sup> We identified internal control weaknesses in ASG-KU’s, ACC-RI’s, and 408th CSB’s oversight processes. Specifically, ASG-KU, ACC-RI, and 408th CSB did not ensure that the QASP and the surveillance checklists were updated to reflect current contract requirements, CORs provided consistent surveillance of the contractor, or that contractor ratings were accurate. However, management initiated a series of corrective actions to resolve the concerns we identified; therefore, we will not make any additional recommendations in this report. We will provide a copy of the report to the senior officials responsible for internal controls on the KBOSSS contract.

<sup>12</sup> DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,” May 30, 2013.

## Finding

### **ASG-KU, ACC-RI, and 408th CSB Did Not Effectively Monitor Contractor Performance**

The Army did not effectively monitor contractor performance for the KBOSSS contract. Specifically, ASG-KU, ACC-RI, and 408th CSB did not ensure:

- the QASP and the surveillance checklists were updated to reflect current contract requirements. This occurred because ACC-RI and 408th CSB did not establish written guidance that clearly defined the roles and responsibilities of KBOSSS oversight personnel. Specifically, ACC-RI and 408th CSB did not establish a formal process to disseminate contractual changes.
- CORs provided consistent surveillance of the contractor. This occurred because ASG-KU and 408th CSB did not develop a process to accurately track CORs and COR reporting, which created gaps in contractor monitoring.
- contractor ratings within the monthly PEM, which are used to determine the contractor's award fees, were accurate. Specifically, CORs developing the ratings did not consider identified contractor deficiencies or validate contractor-provided data. This occurred because ACC-RI and 408th CSB did not define PEM requirements for personnel responsible for contract oversight.

As a result, the Army did not have reasonable assurance that the KBOSSS contractor complied with all contract requirements or earned the entire \$13 million in award fees paid during the last two FEB award periods. In addition, at least one significant environmental and potential health hazard went unresolved. Specifically, the lack of effective contract oversight allowed a wastewater lagoon at Camp Buehring to become stagnant for years, exposing military and civilian personnel to potentially hazardous conditions.

### **The Army Did Not Effectively Monitor Contractor Oversight**

The Army did not effectively monitor contractor performance for the KBOSSS contract. Specifically, ASG-KU, ACC-RI, and 408th CSB did not ensure that the QASP and the surveillance checklists were updated to reflect current contract requirements, CORs provided consistent surveillance of the contractor, or that contractor ratings within the monthly PEM were accurate.

### ***QASP and Surveillance Checklists Were Not Updated***

ACC-RI and 408th CSB did not ensure the QASP and the surveillance checklists were updated to reflect current contract requirements. According to the Contingency Contract Administration Services Handbook, the QASP should be updated as contract requirements change.<sup>13</sup> Revisions to the QASP are the joint responsibility of the PCO and ACO, with assistance from QASs and CORs. However, the PCO stated that the QASP was never updated to reflect current contract requirements.

In addition, according to 408th CSB training material, the ACO and QAS are responsible for updating the surveillance checklists to reflect changes to the contract requirements. The ACO and QAS did not ensure the surveillance checklists were updated to reflect current contract requirements. QAS personnel did not consistently work with CORs to update the surveillance checklist to reflect contract requirement changes. For example, the working dog contract requirement under the Security, Fire and Emergency Services functional area was removed from the contract in March 2016. However, as of September 2016, this requirement was still on the surveillance checklist. In another example, a letter of technical direction was issued in November 2015, to remove a requirement in the Army Postal Operations functional area, which held the contractor responsible for maintaining carrier schedules and routing schemes for all military and commercial transportation. However, in May 2016 the checklist still reflected this requirement. Some CORs misdirected their oversight efforts on outdated contract requirements.<sup>14</sup>

The ACO and QAS did not ensure the surveillance checklists were updated to reflect current contract requirements.

### ***ACC-RI and 408th CSB Did Not Ensure Oversight Guidance Contained Sufficient Detail***

ACC-RI and 408th CSB did not develop guidance that clearly defined the roles and responsibilities of KBOSSS personnel. Specifically, the PCO and ACO did not establish a formal process to disseminate contract requirement changes to personnel responsible for monitoring contractor performance. Instead, the PCO and ACO stated that they relied on the LCORs to disseminate contract requirement changes. However, QAS and COR personnel stated that requirement changes were not always communicated to them before they conducted surveillance.

<sup>13</sup> Contingency Contract Administration Services Handbook, January 31, 2015.

<sup>14</sup> We found no contractual impact caused by the misdirected oversight, but it did cause CORs to expend unnecessary time and effort before they learned of the outdated requirements.

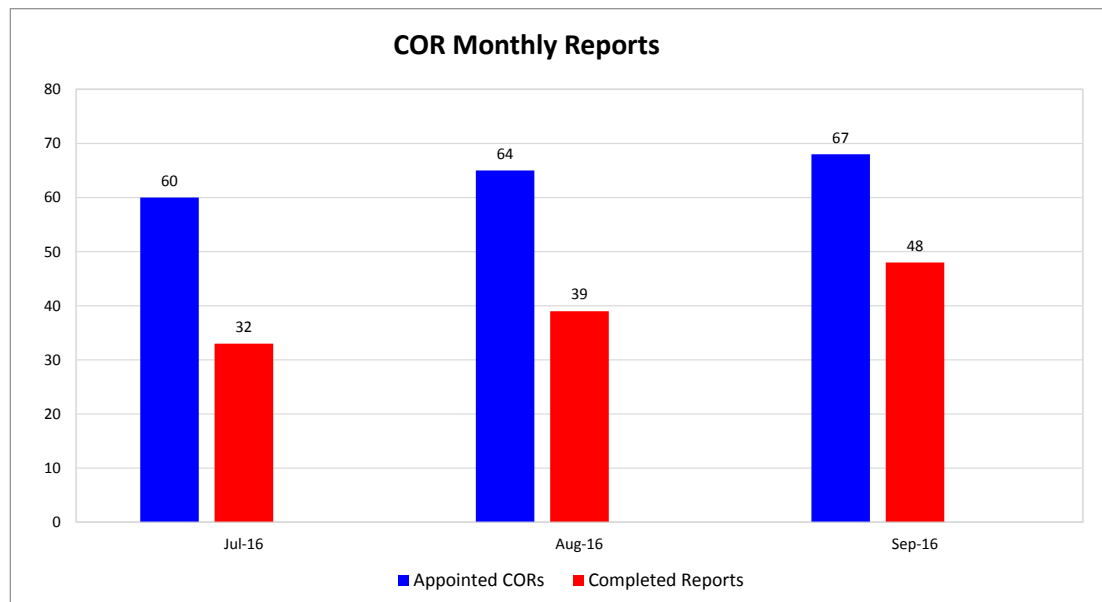
For example, a COR under the Security, Fire and Emergency Services functional area stated that, while the COR was conducting surveillance of the requirements, the contractor notified the COR that physical security requirements were removed. Specifically, the contractor was no longer responsible for providing inspectors to perform inspections and surveys, and for preparing and updating the physical security plan. The COR communicated this to the ACO, who confirmed the physical security requirements were eliminated from the contract since July 2015.

QAS and COR personnel need up-to-date contract requirements to ensure their oversight surveillance activities are effective in determining whether the contractor complied with the contract. Therefore, ACC-RI and 408th CSB should develop a formal written process to disseminate contract requirement changes to personnel responsible for contract oversight.

### ***CORs Did Not Provide Consistent Contract Oversight***

CORs did not provide consistent surveillance of the contractor. Guidance from 408th CSB required each appointed COR to document contractor oversight by using the COR monthly reports and surveillance checklist, and submit the monthly reports in the CORT Tool monthly.<sup>15</sup> However, CORs did not consistently complete COR monthly reports. Figure 3 illustrates the number of CORs appointed and the number of COR monthly reports completed within a 3-month period.

*Figure 3. COR Monthly Reports*

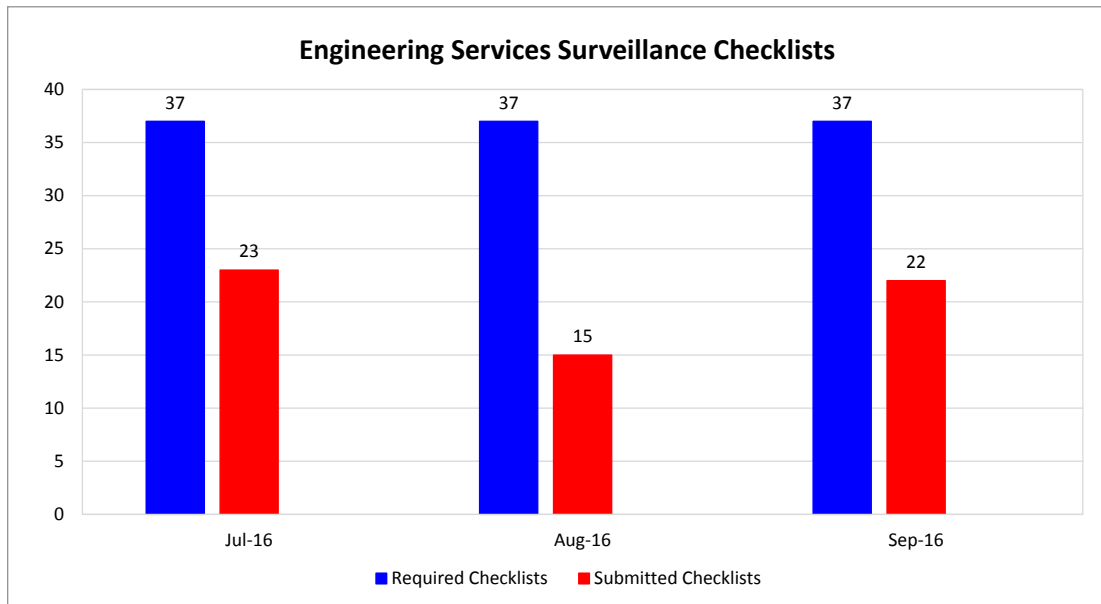


Source: DoD OIG.

<sup>15</sup> 408th CSB, Contract Policy Memorandum No. 15-01, Revision 1, "Brigade Quality Assurance Program," Appendix A-K and Enclosures 1-3.

Additionally, 408th CSB guidance required each COR to complete the surveillance checklist documenting contractor performance every month. The CORs must submit the surveillance checklist to the QAS no later than the last day of the month. However, CORs did not always complete the surveillance checklists. For example, CORs in the Engineering Services functional area completed less than the required 37 surveillance checklists. Figure 4 illustrates the number of surveillance checklists required for the Engineering Services functional area and the number of surveillance checklists completed during a 3-month period.

*Figure 4. Engineering Services Surveillance Checklists*



Source: DoD OIG.

### *ASG-KU and 408th CSB Did Not Effectively Plan and Coordinate CORs*

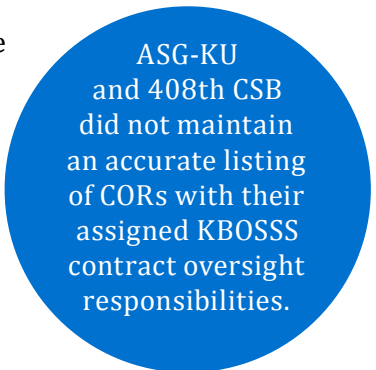
Consistent surveillance of the contractor was not provided because ASG-KU and 408th CSB did not develop a process to accurately track CORs and COR reporting, which created gaps in contractor monitoring. According to Joint Publication 4-10, contracting authority is the legal authority to enter into binding contracts and obligate funds on behalf of the U.S. Government, while command authority includes the responsibility for effectively using available resources and planning the employment of, organizing, directing, coordinating, and controlling military forces for the accomplishment of assigned missions.<sup>16</sup> Personnel from commands with these two authorities should closely coordinate responsibilities to ensure there is effective and efficient contracted support to the joint forces. However, ASG-KU (the command authority) and 408th CSB (the contracting authority) did not adequately nominate and appoint CORs to ensure continuity of oversight responsibilities.

<sup>16</sup> Joint Publication 4-10, "Operational Contract Support," July 16, 2014.



ASG-KU and 408th CSB allowed CORs to redeploy before replacing them, which resulted in gaps in oversight coverage. For example, a COR in the Army Postal Operations functional area was responsible for oversight of a Camp Arifjan postal contract requirement. The COR was terminated on July 18, 2016, and the replacement COR was not appointed until August 19, 2016. During this 31-day gap, there was no oversight of this contract requirement.

In addition, ASG-KU and 408th CSB did not maintain an accurate listing of CORs with their assigned KBOSSS contract oversight responsibilities. For example, in September 2016, we requested a list of all CORs assigned to the KBOSSS contract. The ASG-KU operational contract support officer-in-charge and the ACO provided multiple COR listings that were incomplete or inaccurate. For example, COR listings included personnel who were no longer supporting the KBOSSS contract.



ASG-KU and 408th CSB did not maintain an accurate listing of CORs with their assigned KBOSSS contract oversight responsibilities.

Furthermore, ASG-KU and 408th CSB did not keep detailed records tracking the COR monthly reports by functional area. The absence of accurate, up-to-date, COR listings resulted in ASG-KU and 408th CSB not knowing the number of monthly reports required each month. Without appropriately tracking incoming and outgoing CORs and COR reporting, ASG-KU and 408th CSB are unable to ensure contract oversight responsibilities are adequately covered. Therefore, ASG-KU, in coordination with 408th CSB should develop a process to accurately track incoming and outgoing CORs and COR reporting to ensure oversight responsibilities are covered.

### ***Contractor Monthly Evaluations Need Improvement***

ACC-RI and 408th CSB did not ensure contractor ratings within the monthly PEM, which were used to determine the contractor's award fees, were accurate. Specifically, CORs developing the ratings did not consider contractor deficiencies or validate contractor-provided data.

The intent of the monthly performance evaluations is to provide guidance on areas where improvement is necessary or desired, identify where improvement has occurred, and indicate areas of strength. However, during the monthly PEMs LCORs evaluations of contractor performance did not mention areas where the contractor needed to improve, such as by including NCRs in the evaluation. For example in the February 2016 PEM, the LCOR for the Engineering Services functional area did not include the NCRs for improper markings on spill kits and inadequate heating, ventilation, and air conditioning work order response time

in his brief.<sup>17</sup> The LCOR's rating for the Engineering Services functional area was "Positive" in the February 2016 PEM. In another example, although multiple CORs at Camp Buehring identified project delays as a consistent and significant issue, the LCOR did not brief or present this during the monthly PEMs.

LCORs presented contractor-provided data that was not validated by Government oversight personnel.

In addition, LCORs presented contractor-provided data that was not validated by Government oversight personnel. Specifically, multiple LCORs acknowledged that they received and used contractor-provided data to develop the PEM slides without verifying the data. For example, the LCOR for the Security, Fire and Emergency Services functional area relied on and presented information the contractor provided regarding fire response times, the number of badges produced, and emergency medical services response times. The CORs responsible for these requirements did not validate the contractor's data, and the data were ultimately used to determine the contractor's award fee.

### *ACC-RI and 408th CSB Did Not Develop Requirements for the PEM*

The PCO and ACO did not develop guidance for rating the contractor during the PEM. Specifically, the PCO and ACO did not provide the LCORs criteria on how to evaluate contractor performance or present functional area information. Instead, the PCO only verbally communicated vague PEM requirements. For example, the ACO reported that the PCO stated that a negative rating should be given only when there was a loss of life. Without detailed guidance on evaluating contractor performance, LCORs subjectively rated the contractor's performance as "Positive," "Negative," or "Needs Improvement" during the monthly PEMs.

In addition, the lack of contractor evaluation criteria for the PEM led to the LCORs' PEM evaluations often conflicting with the COR monthly report ratings. For example, COR monthly reports during the February PEM consistently rated the contractor's performance as "Satisfactory" (there were 3 "Unsatisfactory" reports, 0 "Marginal," 26 "Satisfactory," 3 "Very Good," and 0 "Exceptional" COR monthly reports). However, all LCOR's rated the contractor performance as "Positive."

The monthly PEM is a critical control and is essential for determining a fair and appropriate award-fee incentive. With millions of dollars of award fees at stake, ACC-RI and 408th CSB should formally define PEM requirements and expectations.

<sup>17</sup> These reports evaluated contractor performance during February 2016, so they should have been considered during the February PEM.

## **Army Does Not Have Assurance Contract Requirements Were Met and Award Fees Were Justified**

The Army did not have reasonable assurance that the KBOSSS contractor complied with all contract requirements or earned the entire \$13 million in award fees paid during the last two FEB awards. As discussed above, we found the Army did not have effective controls to monitor and evaluate contractor performance. For example, in several cases, the CORs either did not conduct regular surveillance or conducted surveillance of removed contract requirements. In addition, the absence of contractor evaluation criteria meant Army cannot ensure the entire award fee was sufficiently justified.

## **Environmental and Health Problems Existed at the Wastewater Treatment Facility**

Over the past 5 years, at least one significant environmental and health hazard went unresolved. The Camp Buehring wastewater treatment facility consists of three lagoons that are the primary treatment for the Camp Buehring Wastewater Collection System. According to 408th CSB officials, the wastewater lagoons construction was flawed from the beginning and should not have been accepted by the Government. 408th CSB personnel stated the wastewater treatment facility is the only facility on Camp Buehring to treat wastewater. In 2011, the lagoons became inoperable. The KBOSSS contract required the contractor to provide operation, maintenance, and make all necessary repairs of the wastewater treatment facility; however, the contractor did not adequately perform these requirements. The Commander, Regional Contracting Command-Kuwait stated that the KBOSSS contractor requested relief from lagoon operation and maintenance from the Government because it did not want to take ownership of the poorly designed and constructed facility. From 2011 to 2014, there were multiple discussions and attempts between ASG-KU, the Defense Contract Management Agency, 408th CSB, ACC-RI and the contractor to fix the lagoons; however the lagoons remained inoperable. In December 2014, the contractor presented a review of the inoperable lagoons to ASG-KU officials that identified potential health risks to personnel on base. Over the years, the lagoon had stagnated, which increased the risk of the lagoon becoming septic. On October 14, 2016, the ACO issued a letter of technical direction that granted the contractor temporary relief from the Camp Buehring wastewater lagoons' Operations and Maintenance responsibility; however, it did not relieve the contractor from performing environmental tasks.

During our site visit, we notified ASG-KU that the environmental tasks were not being met at the Camp Buehring wastewater treatment facility. On October 31, 2016, the QAS issued an NCR for failure to perform all environmental tasks. On November 12, 2016, the contractor submitted the Corrective Action Plan detailing the actions it will take to resolve the non-conformance. On November 14, 2016, the 408th CSB accepted the contractor's plan and officially closed the NCR on January 9, 2017. Figure 5 shows a lagoon in October 2016; with a buildup of untreated solid waste and the impact of the lack of environmental and other contract requirements being met at the lagoon at Camp Buehring.



## Recommendations

### ***Recommendation 1***

**We recommend that the Executive Director, U.S. Army Contracting Command–Rock Island, in coordination with the Commander, 408th Contracting Support Brigade, establish formal written guidance that clearly defines roles and responsibilities of Kuwait Base Operations and Security Support Services contract oversight personnel. The guidance should define the process to disseminate contract requirement changes and the performance evaluation meeting rating requirements and roles and responsibilities for personnel responsible for contract oversight.**

### ***Recommendation 2***

**We recommend that the Commander, Area Support Group–Kuwait, in coordination with the Commander, 408th Contracting Support Brigade, develop a process to accurately track incoming and outgoing contracting officer’s representatives and contracting officer’s representative reporting to ensure oversight responsibilities are adequately covered.**

## Management Actions Taken

During the audit, on October 21, 2016 and November 4, 2016, we informed ASG-KU, ACC-RI, and 408th CSB officials that deficiencies existed with the monitoring of contractor performance for the KBOSSS contract. Specifically, the QASP and the surveillance checklists were not updated to reflect contract requirements, CORs did not provide consistent surveillance of the contractor, and contractor ratings within the monthly PEM were not accurate.

We made several suggestions to resolve these deficiencies. Specifically, to eliminate gaps in oversight coverage, we suggested ASG-KU, in coordination with 408th CSB, track incoming and outgoing CORs to ensure replacement CORs are identified, trained, appointed, and in theater prior to assigned CORs redeploying. We also suggested that ASG-KU maintain an accurate, up-to-date list of all CORs and LCORs by functional area; and that ACC-RI and 408th CSB develop a process to disseminate contract requirement changes to personnel responsible for contract oversight and define PEM requirements and expectations.

ASG-KU, ACC-RI, and 408th CSB immediately initiated steps to improve the oversight of the KBOSSS contract. The Commander, ASG-KU, instituted a monthly contract review board meeting where all CORs brief him on monthly COR reporting and surveillance. In addition, ASG-KU implemented mandatory monthly training for all CORs. A contracting officer provides CORs guidance on proper contract oversight techniques and procedures, including improved contractor surveillance



through the use of the assessment reporting systems. Furthermore, ASG-KU now maintains a list of all CORs, their assigned contract, and redeployment dates to track departure dates and ensure replacement CORs are in place in order to avoid gaps in surveillance. Redeploying CORs will inform the replacement COR of training requirements and immediate actions needed to be completed upon the COR's arrival in Kuwait. 408th CSB initiated an immediate comprehensive review of the number of COR personnel required to properly conduct contract oversight. 408th CSB mandated the use of the CORT Tool for monthly COR reports, nominations, appointments, and terminations to ensure an accurate list of COR personnel can be generated. These actions will ensure there are minimal gaps in coverage and the COR reporting is tracked.

The contractor was relieved of contractual responsibility for all but environmental tasks concerning the Camp Buehring lagoon. In November 2016, the Army initiated a project to address the inoperable lagoon. Specifically, the Army issued a Request for Proposal to upgrade the aeration lagoons at Camp Buehring. When the project is complete, the lagoons and ponds will be fully functional, which will eliminate the hazardous conditions.

ACC-RI, in coordination with 408th CSB, began to develop a contract administration plan that will clearly establish and define the roles, responsibilities, and expectations of the Government stakeholders tasked with the administrative processes and oversight of the KBOSSS contract. ACC-RI anticipates the completion of the contract administration plan by March 2017.

The management actions taken, once fully completed, will address the concerns we identified; therefore, we are not making any additional recommendations. Both recommendations are resolved. Recommendation 1 will be considered closed upon publication of the Contract Administration Plan. Recommendation 2 will be considered closed upon validation of the established COR tracking process. We will continue to monitor the implementation of these recommendations and the project to address the lagoon issue.

## Appendix

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### Scope and Methodology

We conducted this performance audit from August 2016 through March 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed criteria to determine whether the DoD provided effective oversight of the KBOSSS contract. Specifically, we reviewed Defense Federal Acquisition Regulation Supplement Part 246 “Quality Assurance,” which explains quality assurance in managing contracts; Federal Acquisition Regulation Part 16, “Types of Contracts,” Subpart 16.4 “Incentive Contracts,” which governs the management of incentive contracts; and 408th CSB Contract Policy memorandum which acts as a standard operating procedure for all personnel assigned to 408th CSB when managing contracts. Finally, we reviewed the KBOSSS contract and performance work statement to identify contractor performance requirements.

We conducted a site visit to Camp Buehring and Camp Arifjan, Kuwait, in October 2016, and interviewed ASG-KU and 408th CSB officials to determine the process for contract surveillance and award-fee amount designation. Specifically, we interviewed the ACO, Lead QAS, QASs, LCORs, CORs, property officers, and other personnel responsible for KBOSSS oversight. We also walked through surveillance areas with COR personnel to identify potential contract non-conformance. Additionally, we obtained and reviewed surveillance checklists, COR monthly reports, PEM records, COR tracking spreadsheets, 408th CSB training material, FEB records, and other supporting documentation related to our audit objective. In November 2016, we conducted a site visit to ACC-RI headquarters in Rock Island, Illinois, to obtain information related to the FEB. Specifically, we interviewed the PCO, contract specialists, FEB members, and other personnel supporting the KBOSSS contract. In addition, we met with officials from U.S. Central Command and U.S. Army Central during our entrance meeting.

### Use of Computer-Processed Data

To perform the audit, we obtained and used computer-processed data. We used electronic Paperless Contract Files and the CORT Tool. Specifically, we used the Paperless Contract Files to obtain the KBOSSS contract records. We used the CORT Tool to obtain information related to CORs. Specifically we obtained COR monthly

reports, surveillance checklists, training certifications, and appointment and termination data. We requested this information from KBOSSS oversight personnel and compared information to what was reported in Paperless Contract Files and the CORT Tool. We determined the data obtained were sufficiently reliable for the purpose of this audit.

## Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) and the Department of Defense Office of Inspector General (DoD OIG) issued six reports discussing contingency contract management. Unrestricted GAO reports can be accessed at <http://www.gao.gov>. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>.

## GAO

Report No. GAO-12-1026T, “Operational Contract Support, Sustained DoD Leadership Needed to Better Prepare for Future Contingencies,” September 2012

This report discusses how the DoD has not fully understood the extent to which it relies on contractors to support combat operations; and how the DoD needs to prepare and provide the necessary management and oversight of deployed contractor personnel. The DoD has made an effort to emphasize the importance of operational contract support at the strategic level through new policy and guidance, taken steps to develop additional training, and leadership has recognized the need to rebuild, train, and support a highly qualified and knowledgeable acquisition workforce.

Report No. GAO-12-290, “Operational Contract Support, Management and Oversight Improvements Needed in Afghanistan,” March 2012

In this report the GAO determined that the training the DoD required CORs to take did not fully prepare them to perform their contract oversight duties in contingency areas such as Afghanistan. In addition, CORs do not always have the necessary subject area-related technical expertise to oversee U.S. Central Command contracts they were assigned to. The DoD does not have a sufficient number of CORs to oversee the numerous contracts in Afghanistan.

**DoD OIG**

Report No. DODIG-2017-004, "Summary Report – Inspections of DoD Facilities and Military Housing and Audits of Base Operations and Support Services Contracts," October 14, 2016

The DoD OIG issued eight audit reports which identified two systemic contracting and oversight problem areas. First, the audit reports identified problems with contract documentation and requirements. Second, the reports identified contract oversight problems, such as the DoD not holding contractors accountable for poor performance while constructing and maintaining facilities. These systemic problems resulted in increased health and safety risks to service members. The poor contract documentation and oversight also did not ensure that the DoD received the best value for its money spent on these contracts.

Report No. DODIG-2016-065, "U.S. Army Central and U.S. Army Contracting Command-Rock Island Need to Improve Facility Maintenance at King Abdullah II Special Operations Training Center," March 23, 2016

This report identified that ACC-RI did not effectively maintain facilities at King Abdullah II Special Operations Training Center. This occurred because ACC-RI did not ensure the contractor performed in accordance with contract requirements and did not include the proper clauses or specific requirements in the contract. One of the issues was that ACC-RI and U.S. Army Central officials were not effectively overseeing the contractor's performance.

Report No. DODIG-2015-160, "U.S. Army Generally Designed Adequate Controls to Monitor Contractor Performance at the King Abdullah II Special Operations Training Center, but Additional Controls Are Needed," August 7, 2015

The DoD OIG found that U.S. Army Central and ACC-RI officials generally designed adequate controls to monitor contractor performance on the basic life support services contract at King Abdullah II Special Operations Training Center; however, the DoD OIG identified areas for improvement. Specifically, U.S. Army Central and ACC-RI did not include controls in the QASP or in the COR's monthly report template that required a U.S. Government subject matter expert to review the contractor's performance in supplying and maintaining electrical services.

Report No. DODIG-2015-163, “Plans for Assessing Contractor Performance for the Camp Lemonnier Base Operations Support Contract Needed Improvement,” August 27, 2015

This report details the lack of internal controls by Naval Facilities Engineering Command Atlantic. Specifically, the command did not ensure plans for assessing contractor performance for the base operations support contract were adequate.

Report No. DODIG-2015-059, “Military Construction in a Contingency Environment: Summary of Weaknesses Identified in Reports Issued From January 1, 2008, Through March 31, 2014,” January 9, 2015

This audit report summarizes reports the DoD OIG and the Air Force Audit Agency issued, between January 1, 2008 and March 31, 2014, with findings that pertained to weaknesses in military construction in Afghanistan and Iraq. The weaknesses included inadequate quality assurance and contract oversight; and unclear guidance.



## Acronyms and Abbreviations

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<b>ACC-RI</b>	Army Contracting Command—Rock Island
<b>ACO</b>	Administrative Contracting Officer
<b>ASG-KU</b>	Area Support Group—Kuwait
<b>COR</b>	Contracting Officer’s Representative
<b>CORT</b>	COR Tracking
<b>CSB</b>	Contracting Support Brigade
<b>FEB</b>	Fee Evaluation Board
<b>KBOSSS</b>	Kuwait Base Operations Security Support Services
<b>LCOR</b>	Lead COR
<b>NCR</b>	Non-conformance Report
<b>PEM</b>	Performance Evaluation Meeting
<b>PCO</b>	Procurement Contracting Officer
<b>QAS</b>	Quality Assurance Specialist
<b>QASP</b>	Quality Assurance Surveillance Plan



# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

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